



August 18, 2009

TO: Co-chairpersons Jack Hatch and Lisa Heddens, Members of the Adult Mental Health and Developmental Disabilities (MH/DD) Stakeholder Task Force, and Members of the Task Force's Work Group

FROM: John Pollak, Legal Services Division, Legislative Services Agency

RE: Background Information for Work Group

Work Group Task. The Co-chairpersons have asked the Work Group to develop short-term and long-term options for reforming the adult MH/DD services system and funding, including the following:

1. The current funding environment and temporary availability of federal stimulus package moneys may affect the county MH/DD service fund ending balances used for the distribution of allowed growth and risk pool funding. Provide options to address funding eligibility requirements, including ending balances, distribution requirements, and other elements.
2. The prospects for significant new state funding in the next few years are limited, federal funding availability is unknown, and local funding options are capped. Provide options for pilot projects that will use existing funding more efficiently and allow testing of new funding options.

Current Environment. In addition to the elements addressed in the Work Group task, the following provides a list of other elements comprising the current environment.

1. Counties have the legal responsibility to provide services; levy authority is capped at a specific dollar amount based on the amount levied in 1996 (other levy limitations restrict the rate rather than a dollar amount).
2. The dollar amount limitation prohibits counties from any increase in local revenue for these services beyond the 1996 level, even though property values have substantially increased since then.
3. The State is responsible for funding of all system growth above the 1996 level, but state revenue shortages typically have precluded significant increases.
4. The methodology for distributing state growth funding has become increasingly complex in order to target counties with the greatest need.
5. State funding is inadequate — growing numbers of counties have negative fund balances (at the close of FY 2008, 24 counties had negative fund balances, and another 28 counties had fund balances of less than 5 percent).
6. More counties are implementing waiting lists for services. As of July 2009, six counties have implemented waiting lists.

7. If funding remains static, the county obligation to pay the nonfederal share of Medicaid for adult MH/MR/DD services will eventually preclude county payment for any other adult MH/MR/DD services.
8. The latest revenue projections for FY 2009 and 2010 are for declines in overall state revenues.
9. Due to across-the-board budget cuts in FY 2009, the state funding distributed to counties for services was subject to an \$8.2 million reduction. The property tax replacement portion was restored by the General Assembly.
10. For the 27-month period beginning October 1, 2008, the federal funding available to counties for adult MH/MR/DD services through the Medicaid program is subject to increase under the federal American Recovery and Reinvestment Act of 2009. It is estimated the additional federal funding for counties will be \$75 million from FY 2009 to FY 2011.
11. Risk pool funding has historically been insufficient to fulfill requests (in Fall 2008, 15 counties submitted \$5.3 million in requests for the \$1 million in funding available for FY 2009).
12. In order to adjust for the scattered county shortfalls in adult MH/MR/DD services funding that are not adequately addressed by growth funding distribution formulas, the General Assembly made a \$10 million appropriation to the MH/MR/DD Risk Pool for FY 2010 from federal stimulus funding, a \$9 million increase over the previous year's appropriation amount. In addition, the application process was accelerated to distribute the funding more quickly. However, it was later determined that federal requirements would forestall or limit the use of the stimulus moneys for this purpose. Options for a substitute funding source and other alternatives are being developed but may require a legislative enactment during the 2010 Legislative Session.
13. The 1996 reforms did not address inequities among the counties; significant differences in funding, levy rates, and services still exist.

Goals. Previous efforts at reform have had these sometimes conflicting goals:

1. Improve overall system.
2. Improve equity.
3. Reduce complexity.
4. Eliminate the legal settlement system for determining financial responsibility.
5. Encourage efficiency — an area should have a big enough population to support the system yet be geographically small enough to provide reasonable access to consumers.
6. Establish a base level of services while encouraging local efforts to creatively meet consumer needs.
7. Eliminate waiting lists.
8. Do a better job of meeting individual consumer needs.
9. Enhance accountability.